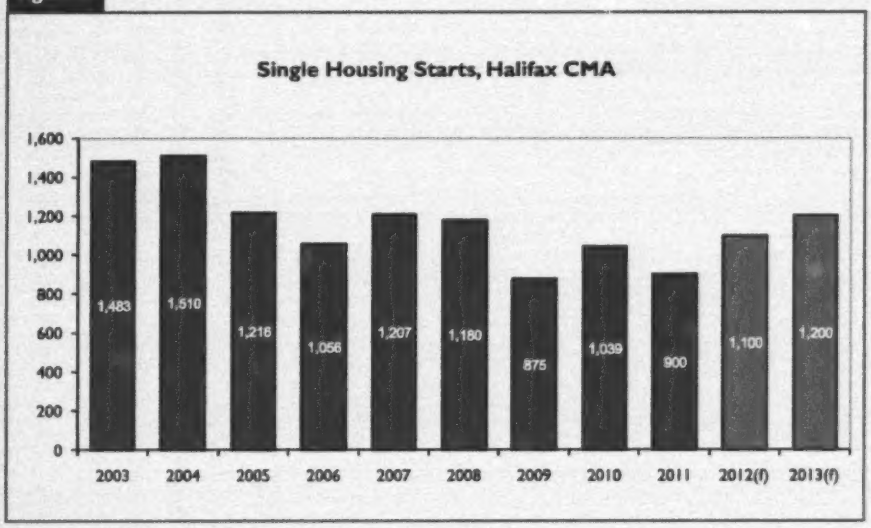
Figure 2



Source and Forecast: CMHC

rest of the province. Additionally, the anticipated start of production from Deep Panuke will offset recently reduced levels of energy exports and contribute to both economic and employment growth in the province.

Notwithstanding fiscal restraint, the local economy is expected to benefit from positive net migration to the city and increased levels of retail spending. In the rest of the province, growth will be limited due to recent plant closures and layoffs.

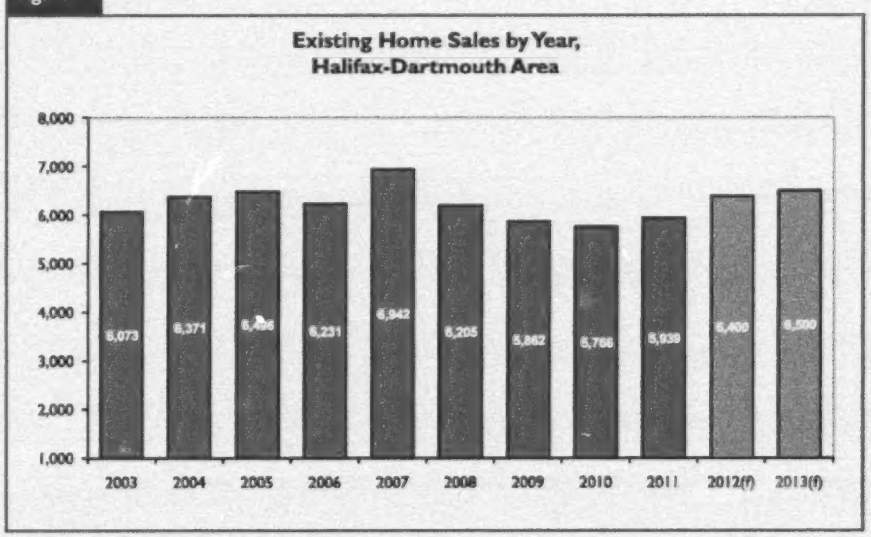
Despite reaching a record high in mid to late 2011, employment in the HRM has undergone some compositional changes in the past few years. In 2010, employment in the city grew by just over one per cent, but all the growth was attributed to increases in part-time positions. Full-time employment in the HRM recorded slight declines in 2010. This trend continued into the first half of 2011 with the majority of employment gains again coming in part-time positions. However, in the second half of the year the trend reversed as full-time employment levels increased and part-time positions recorded declines. By the end of the year, total employment had increased one per cent (compared to 2010) to 223,400 positions with full-time employment increasing 1.1 per cent and part time recording a decline of 0.5 per cent.

In 2012 and 2013, expect employment in the city to grow at a higher rate than the current ten-year average of 1.7 per cent. Employment is anticipated to increase by 2.1 per cent in 2012 and another 2.2 per cent in 2013.

Following four consecutive years of increases, real wage growth in Halifax recorded a decrease in 2011. Despite average weekly earnings in the city increasing by one per cent in 2011, the consumer price index (a measure of inflation) grew at a higher rate of 3.5 per cent. As a result, real wage growth declined by 2.5 per cent.

In 2011 and for the first time since 2007, Nova Scotia recorded negative net-migration. Last year, the province reported a net loss of over 700 individuals. The loss was largely attributed to interprovincial migration (Nova Scotians moving to other parts of the country) as more favourable job prospects in other parts of Canada attracted workers from Nova Scotia. However, with anticipated economic and employment growth in the province and the city over the forecast period, it is expected that some migrants may return home or

Figure 3



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

choose not to leave in the first place. As a result, expect increased levels of migration to stimulate demand in 2012 and 2013.

Increases in economic and employment growth, along with positive net migration to the city will result in increased demand for all types of housing over the forecast period.

Mortgage Rates

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

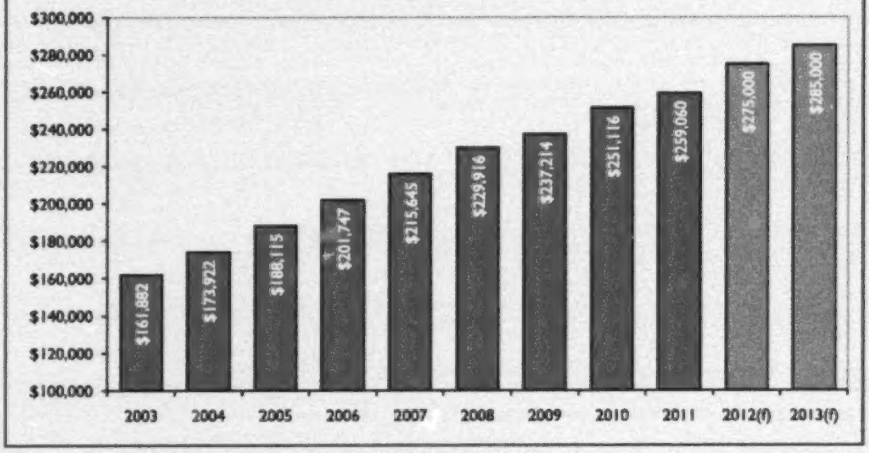
Apartment Construction to Remain Strong in 2012

Following an increase of 23 per cent in 2011, new home construction in the HRM is expected to decrease in both 2012 and 2013 due to expected declines in multiple starts.

In the single-detached segment of the market, starts declined 13 per cent in 2011 to 900 units. Single starts not only decreased last year, but were at their second lowest level in the past twenty years, only slightly above the 875 starts recorded in 2009.

Figure 4

Existing Home Average Price by Year, Halifax-Dartmouth Area



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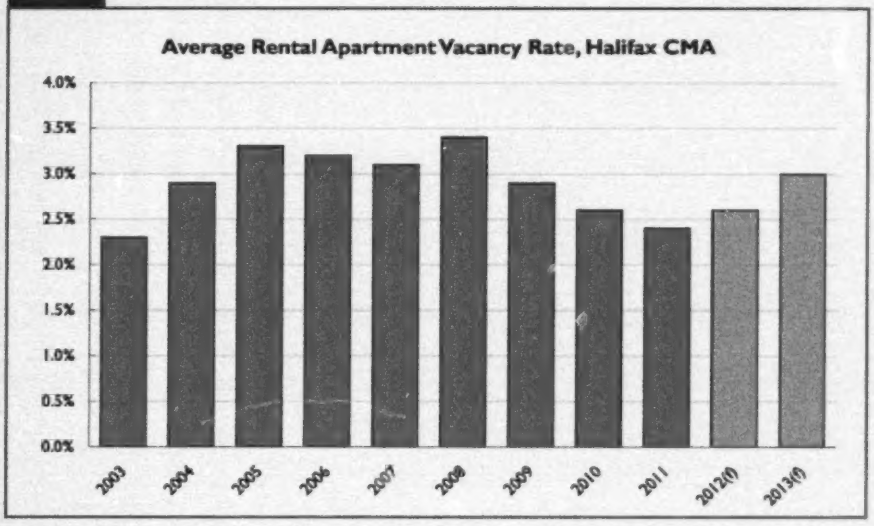
Increased demand, stemming from positive economic growth, low mortgage rates and positive net-migration to the HRM will result in higher levels of single starts in both 2012 and 2013. Expect single-detached starts to increase to 1,100 units in 2012 before rising another nine per cent to 1,200 units next year.

In the first quarter of 2012, single-detached starts increased 11 per cent to 163 units. Despite the increase, single starts for the first quarter remain below the ten-year average of 184 units.

The average selling price of a new, single-detached home in the HRM grew by more than 13 per cent to $400,405 in 2011 as continued demand for above average priced homes throughout the municipality continued to stimulate price growth. Consumer preference in terms of location, style, amenities and finishings all contributed to increased costs of construction and placed upward pressure on prices. In 2011, more than 55 per cent of all new single-detached starts were priced above $350,000 compared to 40 per cent in 2010.

In terms of location, the only submarket to report an increase in the amount of new single-detached absorbed units (i.e., new sales) in the HRM last year was Bedford – Hammonds Plains at 29 per cent. More than 20 per cent of all new singles sold in the HRM last year were located in this above average priced submarket. In the Halifax City submarket, sales of new singles declined from 134 in 2010 to 113 last year. Despite the decline, the average price of a new single in Halifax City increased by 17 per cent to $550,127. Similar preferences demonstrated by consumers in 2011 are expected to exert upward pressure on prices this year, resulting in growth of approximately six per cent to

Figure 5



Source and Forecast: CMHC

$425,000. In 2013, expect the average price of a new single-detached home to climb to $435,000.

In the semi-detached and row segment of the market, starts increased by seven per cent in 2011 to 330. Semis and rows will remain popular in the HRM and are expected to see only slight changes in the level of new construction activity. Starts will remain in the range of 310 to 320 units over the next two years.

The primary driver of new residential construction in the city for the past few years has been apartment construction. New apartment starts climbed sharply in 2010, increasing by 74 per cent to 1,043 starts. In 2011, apartment starts increased by an additional 65 per cent to 1,724 units, which represented a twenty year high in the HRM.

The majority of the apartment starts in the HRM in 2011 were reported in the Halifax City submarket where 1,337 starts broke ground. Apartment starts in Halifax City nearly doubled last year from the 678 starts recorded in 2010.

Apartment construction activity is expected to decline in 2012 to 1,250 starts before falling another 20 per cent in 2013 to 1,000 starts. The majority of these new apartment units are expected to be rental units. Despite the anticipated decline, apartment starts will remain generally above the current ten-year average of 1,016 units.

Steady demand for rental units is being driven by new migrants and immigrants who tend to rent upon their arrival in the city. Additionally, an aging population, specifically baby boomers, encompass a large and growing segment of the rental population in the city and are expected to continue to be a significant source of apartment rental demand in 2012 and 2013.

Existing Home Sales and Prices to Increase

Existing homes sales in Halifax recorded little change over the past two years. Sales declined 1.6 per cent in 2010 to 5,766 units before increasing three per cent in 2011 to 5,939 units.

Economic growth in the forecast period, partially attributed to the announcement of the recent federal shipbuilding contract, will stimulate incremental demand for existing homes and contribute to an additional eight per cent growth in sales in 2012 and another two per cent in 2013.

Sales in the HRM recorded sharp increases in the final two months of 2011 and the first three months of 2012. Growth in employment in the fourth quarter of last year and the first quarter of 2012, along with continued net migration to the city contributed to an increase in demand for all types of housing, including existing homes. It is expected that sales will continue to rise in 2012 reaching 6,400 units which is above the current ten-year average of 6,231 sales. In 2013, expect existing home sales to total 6,500 units.

Despite minimal gains in sales in recent years, the average sale price of an existing home in the HRM continued to advance. Prices increased nearly six per cent in 2010 to $251,116 and a further three per cent in 2011. In the first quarter of 2012, prices climbed an additional 3.5 per cent to just over $268,000. The average price of an existing home in the HRM is expected to increase six per cent in 2012, reaching $275,000. In 2013, prices will rise another three to four per cent to $285,000.

Factors impacting price growth are similar to those impacting new home construction, specifically style, location, amenities and preferences for larger, more expensive homes. In 2011, homes selling for more than $250,000 (above average at the time), reported sales growth of ten per cent while homes selling for less than $250,000 reported little to no change. Again, despite an increase in sales in 2011

compared to 2010, all of the growth was in homes priced above $250,000.

In terms of style or type of home, sales of two-storey homes in the HRM encompass roughly 45 per cent of all existing home sales. With two-storey home sales comprising nearly half of all sales and averaging over $300,000, additional sales or price growth in this segment will result in upward pressure on the overall average sale price in the HRM.

Each submarket in the HRM reported an increase in the average existing home sale price last year. The below average priced submarket of Sackville posted the strongest increase of nearly eight per cent to $205,345. Dartmouth City, another below average priced submarket, reported the most sales in the HRM in 2011 at 1,541 units, which represented an increase of over six per cent compared to 2010. Prices in Dartmouth City also climbed 2.4 per cent to $228,690 last year. The two most expensive submarkets, Halifax City and Bedford-Hammonds Plains saw sales growth in 2011 of 5.1 and 1.7 per cent, respectively. Both submarkets also recorded price growth last year.

Along with price increases in each submarket, growth in sales and prices in above average price submarkets contributed to an increase in the overall average price in the HRM in 2011.

New listings in the HRM climbed just 1.7 per cent to 10,336 units in 2011. With anticipated growth in sales and overall housing demand, the resale market is expected to see more activity including increased levels of new listings over the forecast period. Expect more homeowners to list their homes in 2012 as new listings are forecast to increase nearly five per cent.

Vacancy Rates to Increase this Year and Next

The apartment vacancy rate in the HRM declined in 2011 for the third consecutive year, falling to 2.4 per cent from 2.6 per cent in 2010. The decline was largely attributed to increased demand relative to recent changes in the level of new and existing supply. Specifically, demand for rental units continued to remain strong in 2011 while new supply to the market was relatively subdued.

With 943 new rental apartment starts in 2010 and another 1,565 starts in 2011, the vacancy rate might have been expected to increase last year. However, construction times have increased in recent years as rental projects have become larger and of higher quality. As a result, several large projects remain under construction in 2012. Last year only 530 new apartment rental units had completed construction in the HRM so there was little impact from new supply on the vacancy rate.

In 2012, similar factors are expected to keep the vacancy rate low. A modest increase in supply coming to the market in 2012 is expected to push the vacancy rate up to 2.6 per cent. However, more units will be added to the local market after the 2012 survey is completed and will impact the vacancy rate next year. Expect the vacancy rate to increase to three per cent or more in 2013.

It is expected that 1,250 apartments will begin construction in 2012 and another 1,000 units will be started in 2013. As the length of time it takes to complete an apartment varies from 12 to 24 months, these projects will eventually complete and become available to rent, further increasing supply in the rental market. This additional supply will have minimal impact on the vacancy rate until 2013.

Further impacting the vacancy rate in the HRM is the fact that rental demand has remained strong. Relatively weak economic and employment growth in 2011 is believed to have contributed to a partial shift in demand for potential first-time homebuyers towards the rental market. Negative real wage growth along with increases in the price of new and existing homes contributed to weaker demand for homeownership but bolstered the demand for rental units.

Positive net migration to the city also continues to support demand for rental units as new migrants tend to rent. Since 2005, there have been over 14,300 new migrants move to Halifax with the majority between the ages of 18 and 24. Those in the 18 to 24 age group have a high propensity to rent compared to other age groups. With the rate of positive net migration to the city expected to increase in the coming years, due in part to the federal shipbuilding contract, demand for rental units is expected to remain strong.

Another source of demand for rental units in Halifax comes from the 55-plus, baby-boom age group. Despite having a slightly lower propensity to rent than other age segments, the number of renters in this segment exceeds other age groups.

Average rents in the HRM are expected to continue to climb in 2012. Rents will increase due to a variety of factors, including: increasing costs of construction and maintenance, the introduction of new units to the market and continuing strong demand for rental units. Average rents in the HRM have increased at an annual rate of between two and three per cent (based on units common to the

survey sample each year). In 2012 and 2013, expect average rents to increase between 2.5 and 3.5 per cent.

Despite increasing rents, the rental market in HRM remains relatively affordable compared to other housing alternatives. Average rents have increased at a rate that is less than both new and existing home prices. As a result, the rental market in the HRM continues to offer value to renters and provides support for rental demand.

Forecast Summary Halifax CMA Spring 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	5,862	5,766	5,939	6,400	7.8	6,500	1.6
MLS® New Listings	10,516	10,160	10,336	10,800	4.5	10,700	-0.9
MLS® Average Price ($)	237,214	251,116	259,060	275,000	6.2	285,000	3.6
New Home Market							
Starts:							
Single-Detached	875	1,039	900	1,100	22.2	1,200	9.1
Multiples	858	1,351	2,054	1,570	-23.6	1,310	-16.6
Semi-Detached	118	156	170	170	0.0	165	-2.9
Row/Townhouse	141	152	160	150	-6.3	145	-3.3
Apartments	599	1,043	1,724	1,250	-27.5	1,000	-20.0
Starts - Total	1,733	2,390	2,954	2,670	-9.6	2,510	-6.0
Average Price ($):							
Single-Detached	335,070	352,783	400,405	425,000	6.1	435,000	2.4
Median Price ($):							
Single-Detached	311,400	328,078	360,000	385,000	6.9	398,000	3.4
New Housing Price Index (% chg.)	1.1	0.9	1.7	3.0	-	3.0	-
Rental Market							
October Vacancy Rate (%)	2.9	2.6	2.4	2.6	0.2	3.0	0.4
Two-bedroom Average Rent (October) ($)	877	891	925	955	-	980	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	219,200	221,100	223,900	228,000	1.8	233,000	2.2
Employment Growth (%)	3.4	0.9	1.3	2.1	-	2.2	-
Unemployment rate (%)	6.4	6.3	6.0	5.5	-	5.5	-
Net Migration	3,631	4,437	2,500	3,600	44.0	4,000	11.1

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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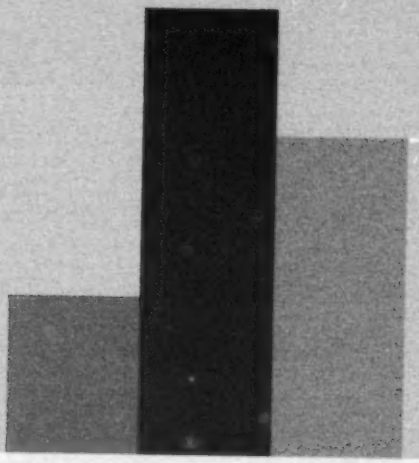

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